






**Table 1: Principal/Agent/Sub-agent in Military Acquisitions  
(With Examples of Agency Costs at Each Level)**

<b>Congress (Principal/ People’s Agent)</b>	Enacts funding and spending priorities through the annual NDAA.
	<b>Monitoring Costs</b> —(e.g., NDAA and Reporting Requirements) <b>Sanctioning Costs</b> —(e.g., ADA) <b>Residual Loss</b> —(e.g., Special Interest limitations)
<b>“Agency Head” (Agent)</b>	Chief official of the agency, including any deputy of assistant chief official (FAR 2.101)
	<b>Monitoring Costs</b> —(e.g., reporting actual procurement results) <b>Sanctioning Costs</b> —(e.g., suspension & debarment) <b>Residual Loss</b> —(e.g., risk aversion)
<b>Contracting Activity (Sub-Agent)</b>	An element of an agency delegated powers to perform procurement functions for the agency (FAR 2.101)
	<b>Monitoring Costs</b> —(e.g., management of Contracting Officers) <b>Sanctioning Costs</b> —(e.g., ADA violation) <b>Residual Loss</b> —(e.g., risk aversion)
<b>Contracting Officer (Sub-Agent)</b>	Determines “best value” to meet the end-user’s requirement (FAR 2.101)
	<b>Monitoring Costs</b> —(e.g., monitoring contractor performance) <b>Sanctioning Costs</b> —(e.g., enforcing contract compliance) <b>Residual Loss</b> —(e.g., biases, risk aversion)
<b>Contractor (Sub-Agent)</b>	Performs the contract as agreed upon with the contracting officer for the benefit of the end-user
	<b>Monitoring Costs</b> —(e.g., quality control, CAS) <b>Bonding (Sanctioning Costs)</b> —(e.g., audit, suspension & debarment) <b>Residual Loss</b> —(e.g., opportunistic quality degradation)
<b>End-user</b>	Needs determine the Principal’s requirements in the aggregate and consumes the supplies purchased by the contracting officer.
<b>Total Agency Costs</b>	Cumulative sum of all monitoring costs, bonding costs, and residual losses